

Economic Highlights

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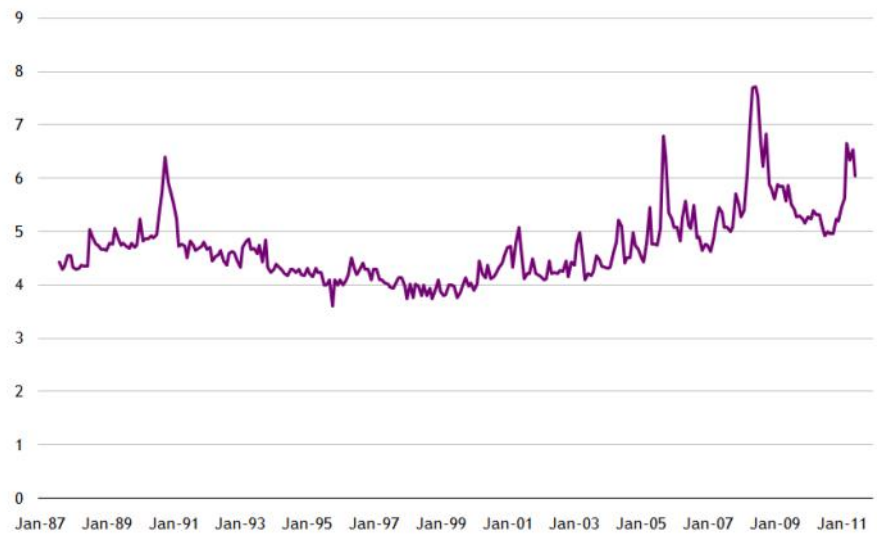
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Summary

Inflation expectations declined in June, according to the Conference Board.

Inflation Expectations for 12 Months Hence

% average, not seasonally adjusted



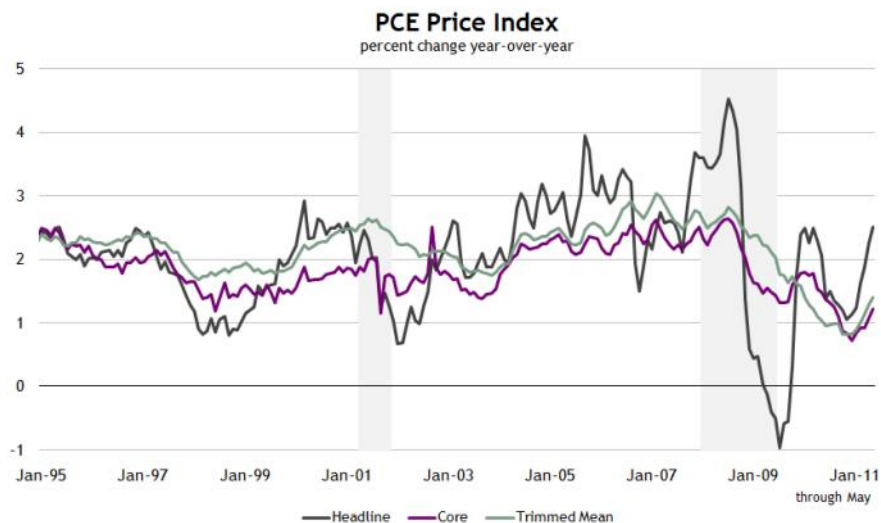
through June

Source: The Conference Board

- Inflation expectations for 12 months out eased in June, according to the Conference Board's consumer confidence survey. The average year-ahead inflation expectation was 6.1 percent, following an average 6.5 percent over the previous three months. The series remains above its 12-month and five-year averages of 5.6 percent.

Summary

Core personal consumption expenditure (PCE) inflation continued to firm in May.



Source: Bureau of Economic Analysis, FRB Dallas

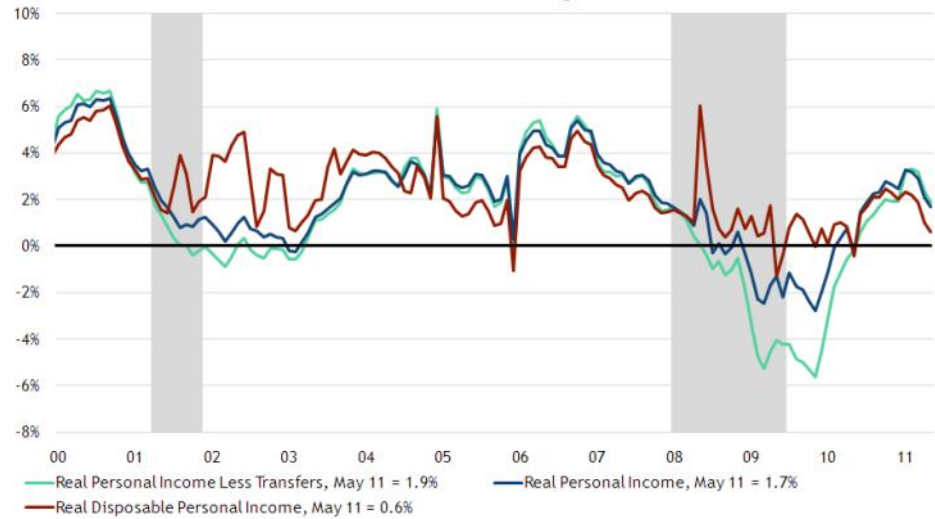
- May headline inflation, as measured by the consumer spending deflator, increased 2.1 percent on an annualized monthly basis, a marked deceleration following four consecutive months of growth greater than 4 percent as energy inflation measures edged down. Headline personal consumption expenditure (PCE) prices were up 2.5 percent year over year, the largest 12-month gain since March 2010.
- Core (less food and energy) PCE prices increased by 3.1 percent (annual rate) in May, led by gains in the indexes for clothing, motor vehicles, and food services and accommodations. The services subindex advanced 3 percent in May, the largest monthly increase since October 2009 and in line with the series' historical trend. Twelve-month core PCE inflation was 1.2 percent, an acceleration from the December 2010 low, though still soft by historical standards. The market-based core PCE price index is up 1.3 percent year over year, an increase from 1.1 percent in April.
- The Dallas Fed trimmed-mean PCE inflation rose 2 percent (annual rate) in May, decelerating from 2.3 percent in both March and April. The inflation statistic moved up one-tenth of a percentage point on a 12-month basis, to 1.4 percent.

Consumer Spending

Summary

Real income measures increased slightly in May and compared with a year earlier are at the lower end of the range of prerecession averages.

Real Personal Income Year over Year % Change



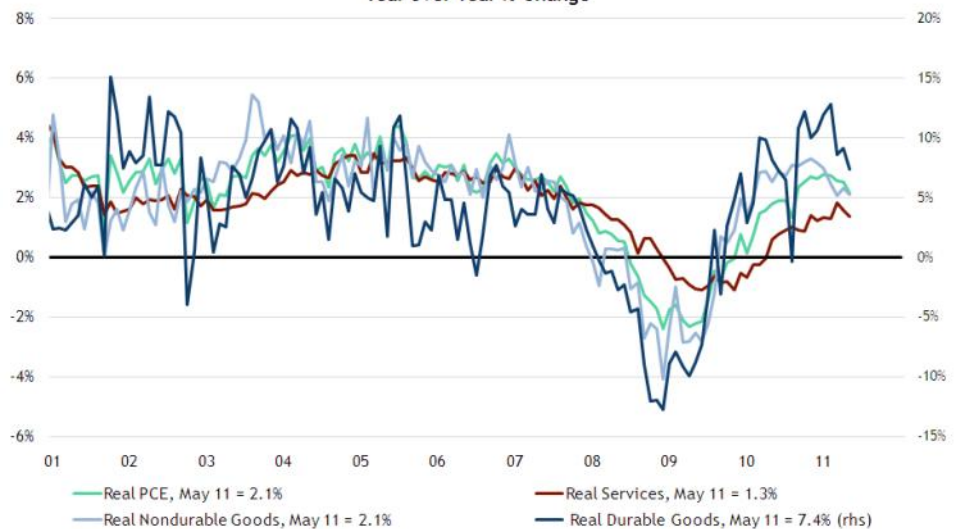
Source: BEA, Haver

- Real personal income increased 0.1 percent in May following no increases over the past three months.
- On an annual basis, measures of real personal income continued to decelerate in May and are at or below the lower end of the average range of 2 percent to 4 percent seen during the last expansion.

Real PCE declined for the second consecutive month in May.

On a year-over-year basis, PCE continued to decelerate.

Real Personal Consumption Expenditures Year over Year % Change



Source: BEA, Haver

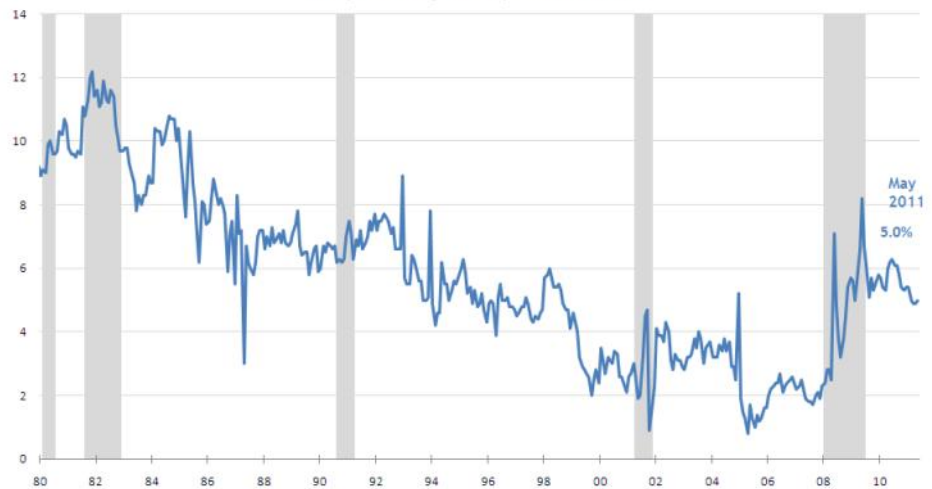
- In May, real PCE fell 0.1 percent for the second consecutive month following an average monthly gain of 0.2 percent in the first quarter. Durable goods fell 1.7 percent while services increased 0.2 percent over the month.
- On a year-over-year basis, real PCE continued to decelerate and is now at 2.1 percent in May. It is still below the prerecession average pace of about 3 percent.

Consumer Spending

Summary

The savings rate edged up to 5 percent in May.

Personal Savings Rate
As a percentage of disposable income

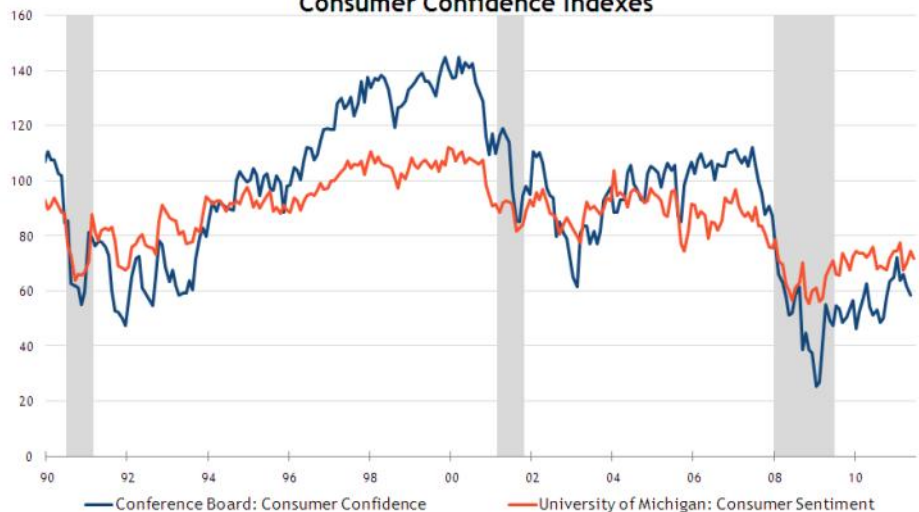


Source: Bureau of Economic Analysis

- The savings rate edged up to 5 percent in May following five months of decreases.
- The savings rate remained around 5 percent to 6 percent in the past two years, following rates below 3 percent during the five years before the recession.

Measures of consumer confidence moved lower in June.

University of Michigan and The Conference Board Consumer Confidence Indexes

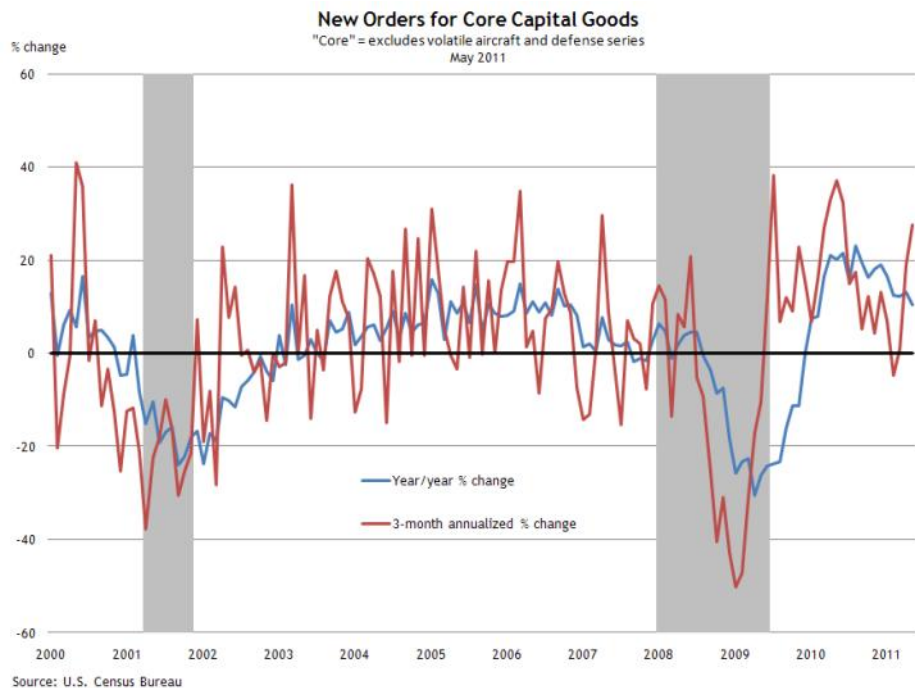


Source: The Conference Board, Reuters/University of Michigan

- The University of Michigan's consumer sentiment index edged down 2.5 points in June to 71.8; both the expectations and current conditions component fell over the month.
- The Conference Board's consumer confidence index fell 3.2 points in June to 58.5. Both the expectations component and present situation components fell over the month. The index has trended down over the past four months after reaching a three-year high in February.

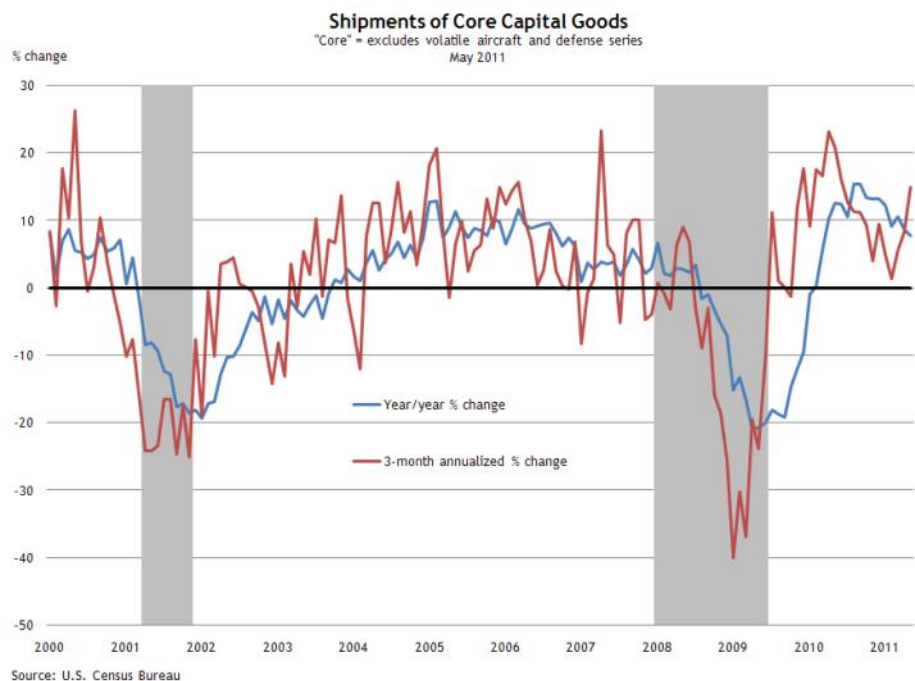
Summary

New orders for core capital goods, which exclude data for the volatile aircraft and defense series, rose 1.6 percent in May. Orders for core capital goods are 10.5 percent higher than the same month last year and are up 27.7 percent at a three-month annualized rate.



- **New orders for core capital goods rose 1.6 percent in May.** Highlights of the report include a correction for April's drop in orders for transportation equipment, caused by supply chain issues. Orders for transportation equipment dropped 9.4 percent from March to April and rose 5.8 percent from April to May.
- **Orders for all capital goods, which includes durable goods orders for aircraft and defense, rose 5.6 percent from April to May.**
- New orders for computers and related products rose 1.3 percent for the month, while orders for communication equipment added 3.6 percent.
- **Shipments of core capital goods rose 1.4 percent in May.** Shipments of machinery and electrical equipment both rose 2 percent, while shipments of computers and related products fell 2.4 percent for the month.

Shipments of core capital goods rose 1.4 percent in May and remain 7.7 percent above their year-ago level. At a three-month annualized rate, shipments of core capital goods were up 14.9 percent in May.

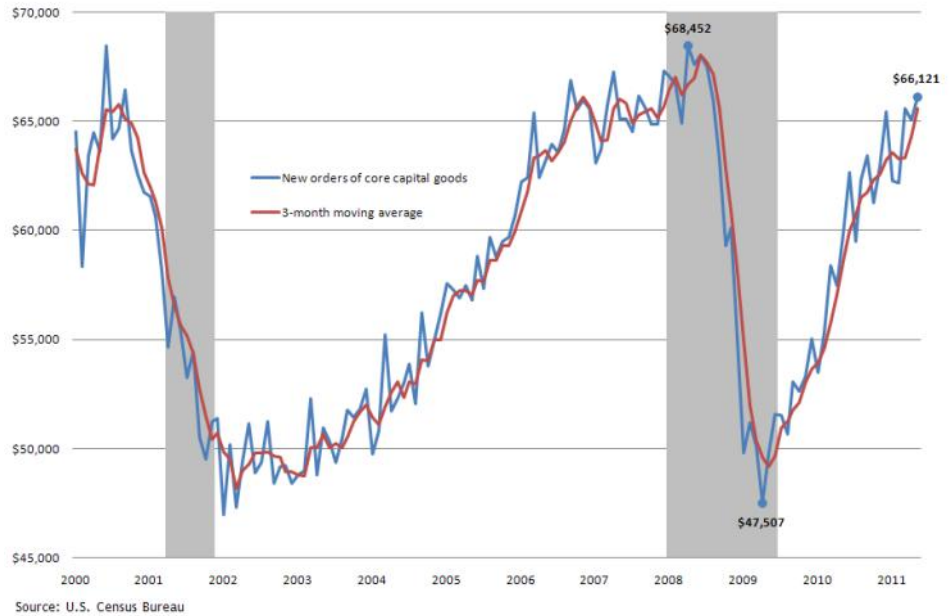


Manufacturing

Summary

New orders for core capital goods increased by \$1.1 billion, or 1.6 percent, from April to May.

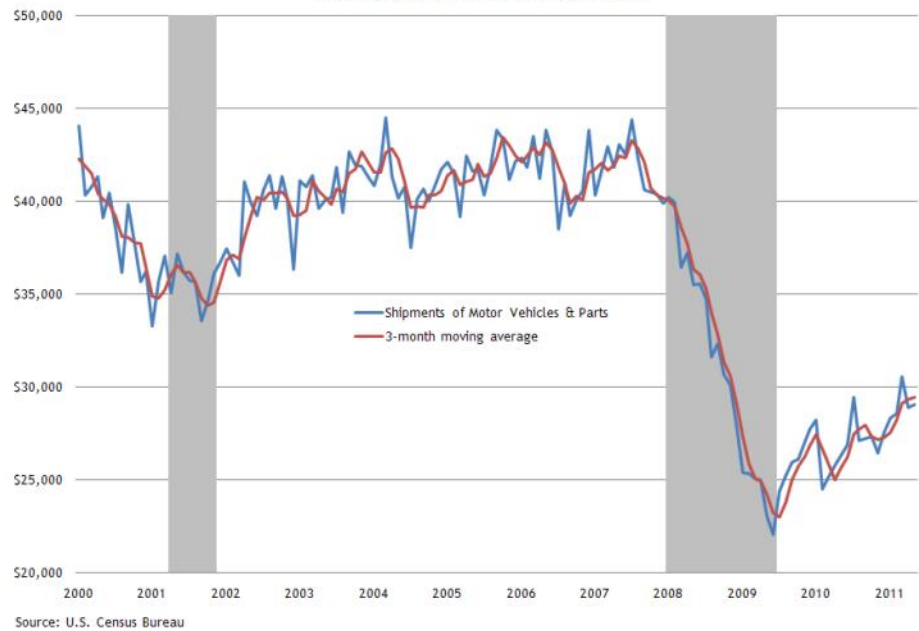
New orders for Core Capital Goods, Level and 3mma
Seasonally adjusted, millions of dollars



Shipments of motor vehicles and parts fell by \$1.6 billion, or 5.3 percent, from March to April as a result of supply chain disruptions.

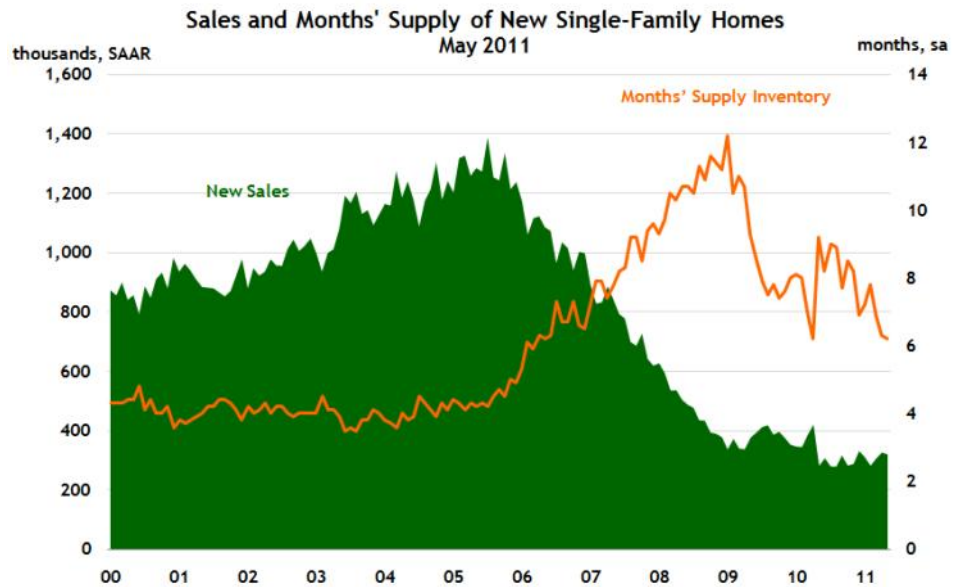
In May, shipments of motor vehicles and parts increased \$0.2 billion, or 0.6 percent.

Shipments of Motor Vehicles & Parts
Seasonally adjusted, millions of dollars, through May



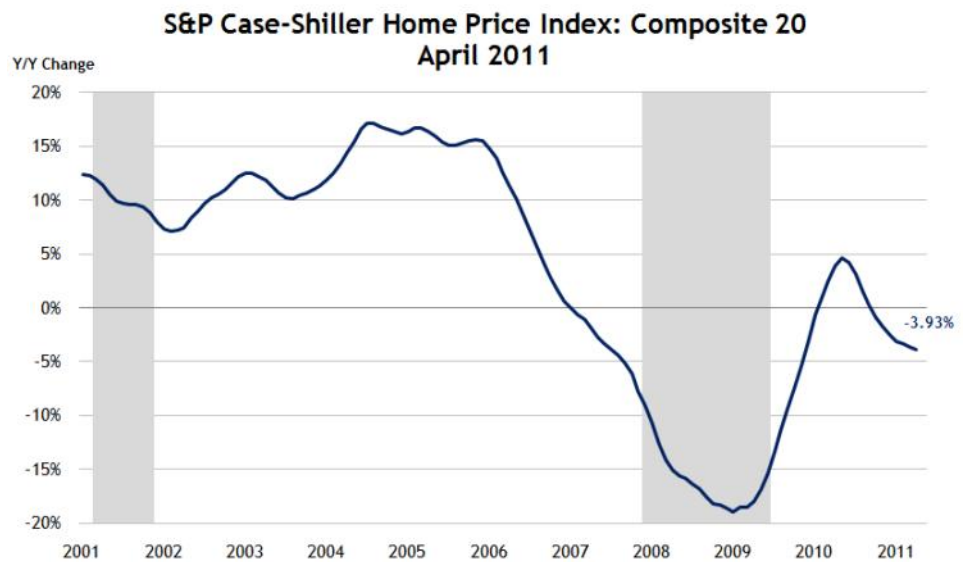
Summary

The U.S. Census Bureau reported that new single-family home sales in May declined 2 percent from April and were 14 percent ahead of weak sales a year earlier.



Source: U.S. Census Bureau and U.S. Department of Housing and Urban Development

S&P Case-Shiller 20-City Composite home price index for April weakened further on a year-over-year basis in April, down 4 percent.



Source: Standard & Poor's, and Fiserv Inc.

Summary

The National Association of Realtors reported that pending home sales in May rebounded, up 8 percent from the April level. However, recent weekly data from the Mortgage Bankers Association on purchase applications through June 24, 2011, indicate slightly weaker home sales.



Source: National Association of Realtors and MBA: Weekly Mortgage Applications Survey